建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

2016-17 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2016, the Group's unaudited consolidated turnover amounted to HK$1,309 million (2015: HK$639 million) and net profit attributable to shareholders amounted to HK$139 million (2015: HK$250 million), inclusive of property revaluation gain attributable to shareholders of HK$62 million, net of deferred tax (2015: HK$216 million). Basic earnings per share were 25.13 Hong Kong cents (2015: 45.39 Hong Kong cents). As at 30 September 2016, the shareholders' equity grew to HK$5,069 million (as at 31 March 2016: HK$5,066 million). Net assets per share attributable to shareholders were HK$9.19 (as at 31 March 2016: HK$9.19).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported turnover of HK$1,270 million (2015: HK$594 million) and net profit attributable to their shareholders of HK$213 million (2015: HK$375 million) for the six months ended 30 September 2016. The substantial increase in turnover for the period was mainly due to the sale of property units of two development projects in PRC held by Hon Kwok, namely Botanica Phase 3 (development project in Guangzhou) and Metropolitan Oasis Phase 1 (development project in Nanhai), whilst property revaluation gain, net of deferred tax, being recognized during the period was HK$91 million (2015: HK$317 million).

Property Development and Investment

Guangzhou, PRC

The **Botanica 寶翠園**, with a total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It comprises 39 blocks of high-rise residential building and is scheduled for development by phases. In the prior financial years, **Botanica Phases 1 and 2** 寶翠園一及二期, with a total 16 blocks of over 750 units, had been sold out and profits derived therefrom had previously been recognized. **Botanica Phase 3** 寶翠園三期, comprises 12 blocks of about 530 units, have also been sold out and generated sale proceeds exceeding RMB1,750 million. The remaining four blocks have been delivered to individual purchasers during the period under review and the relevant profits were recognized in the statement of profit or loss. Internal finishing works of **Botanica Phase 4** 寶翠園四期, comprises 11 blocks of about 550 units, are well in progress and the individual units are expected to be delivered by stages commencing in the first half of next year. The whole phase has been launched to the market for pre-sale and up to the date of this announcement, over 90% have been sold and total contracted sales exceeding RMB1,800 million.

The development site at **Dong Guan Zhuan Road**, Tian He District is still under the planning and design stage whilst foundation works on the other one at **45-107 Beijing Nan Road**, Yue Xiu District are expected to be commenced in next quarter.

The occupancy rate of **Ganghui Dasha** 港滙大廈, a 20-storey commercial/office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is currently above 85%.

The newly acquired **Jie Fang Building** 解放大廈, a completed 15-storey commercial and office building situated at No. 151 Jiefang Road South, Yue Xiu District, is being held by the Group for recurrent rental income.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai, is scheduled for development by phases with a total gross floor area of approximately 273,000 sq.m. Phase 1 of the project comprises 71 units of 3-storey town houses and 24 blocks of high-rise apartments of about 900 units. About 95% of the above phase has been sold up to the date of this announcement, generated sale proceeds exceeding RMB1,100 million. The remaining blocks of the above apartment units have been substantially delivered to individual purchasers during the period under review. Phase 2 of the project comprises 192 units of 3-storey town houses of which foundation works were completed and superstructure works have been partially commenced. Portion of the town houses has been launched to the market for pre-sale and up to the date of this announcement, total contracted sales exceeding RMB200 million.

Shenzhen, PRC

Construction works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District and with a total gross floor area of 128,000 sq.m., are in progress. This 80-storey (including 5 storeys underground) commercial/office tower is expected to be completed in next year and the Group intends to hold this signature building for recurrent rental income.

Enterprise Square 僑城坊, with a site area of 48,764 sq.m. and situated at Qiaoxiang Road North, Nanshan District, is being developed in two phases into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m. Finishing plus mechanical and electrical works of both Phase 1 and Phase 2 are well in progress and expected to be completed by mid-2017. Hon Kwok Group has 20% interest in this project.

All the retail shops at ground floor and the entire first floor of the 5-storey commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, are leased out. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店（深圳）, a 162-room hotel at upper three floors of the above podium, are both satisfactory whilst the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the same podium, is near 100%.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium, is situated at Bei Bu Xin Qu with current occupancy rate about 95%.

Jinshan Shangye Zhongxin 金山商業中心, a twin-tower project comprising a 41-storey grade A office tower and a 42-storey 5-star hotel plus office tower with respective 4-storey retail/commercial podium, is also situated at Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. The tenancy of the completed office tower is steadily increased and renovation works of the hotel/office tower are in progress.

Hong Kong – Property Investment

Foundation works of the bare site at **Kin Chuen Street, Kwai Chung, New Territories** acquired via government public tender last year are in the course of commencing in the coming months. The site, with a total gross floor area of approximately 228,000 sq.ft., will be developed for recurrent rental income.

All the retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are leased out. **The Bauhinia Hotel (Central)** 寶軒酒店（中環）, situated at four podium floors of the aforesaid building, is a 42-room boutique hotel with average occupancy rate above 95% and encouraging room rates. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has an average occupancy rate over 85%.

The Bauhinia Hotel (TST) 寶軒酒店（尖沙咀）, occupying total 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, is a 98-room boutique hotel. Both its average occupancy and room rates are satisfactory. The remaining floors of the above building are being leased out for commercial use including a restaurant operator.

Hon Kwok Jordan Centre 漢國佐敦中心 is a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui. Its current occupancy rate is about 95%.

2. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, the Mainland China, reported turnover of HK$39 million (2015: HK$45 million) with a net loss of HK$7.0 million (2015: HK$6.3 million) for the six months ended 30 September 2016.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to encounter a challenging year filled with uncertainties. Despite the Eurozone had made considerable progress after the economic crisis, showing improvement in GDP and employment rate, the European countries showed divergence in the pace of recovery. In particular, Italy and Spain were still struggling to emerge from recession, whereas Germany had regained some growth momentum in economic recovery. Nevertheless, the feeble consumer market continued to dampen our customers' inventory replenishment plan and hit our garment sales volume.

J.L. Garment Group is undergoing transformation by scaling down its business structure while maintaining its solid business foundation. Besides, it continues to implement stringent cost control measures including office relocation, leasing out unoccupied office space and streamlining the production processes in Hong Kong and Dongguan operations. To improve its profitability, it endeavors to broaden its new customer base in the European countries while exploring new business opportunities in the local and Asian markets.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the six months ended 30 June 2016 of HK$2,227 million (2015: HK$2,170 million) and HK$74.3 million (2015: HK$77.4 million).

The foundation piling and ground drilling businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556). Chinney Kin Wing reported revenue of HK$856 million (2015: HK$871 million) and operating profit of HK$73.5 million (2015: HK$81.9 million) to Chinney Alliance Group. The slight decrease in revenue was mainly due to the drop in drilling business as certain infrastructure projects in Hong Kong are progressing to the completion stage, hence the market demand for drilling and site investigation dropped. Besides, the operating profit also slightly dropped due to the increase in staff costs and increase in depreciation charges resulting from the enhancement of piling plants and machinery for enlarging the operating capacity in past years.

The Building Construction division, mainly consists of Chinney Construction Company, Limited engaged in superstructure construction works, contributed a revenue of HK$452 million (2015: HK$514 million) and operating profit of HK$22.3 million (2015: HK$6.0 million). Despite a slight drop in revenue, operating profit increased significantly as a result of the profit recognition for new projects commenced in last year and substantially developed in the period under review. Current contracts included schools and institutions, hospital facilities and property development in Hong Kong and Macau.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed a revenue of HK$648 million (2015: HK$503 million) and operating profit of HK$19.6 million (2015: HK$15.0 million). The increase in both revenue and profit was attributable to more contracts awarded and in progress, coupled with the cautiously monitoring of project expenses by the management. The division has diversified client base including public and private sectors in Hong Kong and hotels in Macau.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed a revenue of HK$260 million (2015: HK$275 million) and operating profit of HK$2.4 million (2015: HK$4.6 million). The slight drop in revenue and profitability was mainly due to the weakened external market, causing the business to suffer in term of both business volume and profit margin. Nevertheless, the division continues to broaden the product lines to enhance its earning base and explores the market in the Mainland China to seize business opportunity.

4. Transferable term and revolving loan facilities

In October 2016, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement relating to HK$1,000 million transferable term and revolving loan facilities with a syndicate of banks. The loan facilities have a term of 48 months commencing from the date of the facility agreement and will be used for refinancing the existing loan facilities with outstanding balance of HK$290 million and financing the Group's general working requirements.

OUTLOOK

Looking ahead, the global economy is set to be volatile and uncertainty reigns. Although statistical data showed that the Eurozone economy is growing on track, albeit slowly, it is still far from achieving sustained robust growth. Recently, the unprecedented Brexit vote to leave the European Union distressed worldwide investors. It is likely that the long process of unwinding the ties with the European Union will deepen the uncertainties and induce further turmoil in the Eurozone. In the United States, the market regained momentum and grew modestly with satisfactory statistical data on inflation and employment. It is anticipated that the US Federal Reserve will adopt a cautious approach and proceed moderately in raising the interest rate under the prevailing strong dollar environment.

In Mainland China, the slowdown in economic growth remains the dominant concern underlying the global recovery. It not only deteriorated the domestic consumer market, but also diminished the demand for the US and European products. During the period under review the real estate market remained robust but showed signs of overheating during the second and third quarters. In order to stabilize the property market, the Central Government introduced tightening measures, including increasing down-payment ratios in major cities, to temper surging real estate prices and overheating markets. It is anticipated that the restrictive measures will continue in the near future in order to maintain a stable property sector to support a healthy economic growth.

In Hong Kong, the economy recorded a modest growth with GDP rebounded slightly and unemployment stayed at a low level. The local consumer market continues to be stable and underpinned by the relatively stable income and employment condition. Nevertheless, the prices for residential properties rose substantially in the third quarter. In order to dampen soaring residential housing prices, the local government raised its stamp duty to 15% in this month to cool down the over-heated property market. It is expected that the new stamp duty will curb the surging residential housing prices and put the market to a more healthy growth in the medium term.

Finally, I would like to thank my fellow directors for their contributions and all staff members for their efforts during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 29 November 2016

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016 together with comparative figures for the corresponding period in the prior year are as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**1,309,092**	639,407
Cost of sales		**(722,248)**	(373,467)
Gross profit		**586,844**	265,940
Other income and gains	*3*	**5,868**	4,952
Fair value gains on investment properties, net		**140,362**	441,948
Fair value losses on equity investments at fair value through profit or loss		**(34)**	(121)
Gain on disposal of a subsidiary		**-**	7,360
Selling and distribution expenses		**(6,224)**	(6,166)
Administrative and other operating expenses		**(117,768)**	(79,498)
Finance costs	*4*	**(68,661)**	(57,691)
Share of profits and losses of:			
Associates		**21,420**	22,373
Profit before tax	*5*	**561,807**	599,097
Income tax expense	*6*	**(230,850)**	(201,359)
Profit for the period		**330,957**	397,738
Attributable to:			
Owners of the Company		**138,554**	250,243
Non-controlling interests		**192,403**	147,495
		330,957	397,738
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic and diluted		**25.13 HK cents**	45.39 HK cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**330,957**	397,738
Other comprehensive income/(loss)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive losses of associates	**(4,756)**	(3,178)
Exchange differences on translation of foreign operations	**(293,782)**	(187,905)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(298,538)**	(191,083)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**88,538**	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**88,538**	-
Total comprehensive income for the period	**120,957**	206,655
Attributable to:		
Owners of the Company	**30,495**	123,893
Non-controlling interests	**90,462**	82,762
	120,957	206,655

Condensed Consolidated Statement of Financial Position

	Notes	At 30 September 2016 (Unaudited) *HK$'000*	At 31 March 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**128,077**	71,988
Prepaid land lease payments		**7,668**	8,552
Investment properties		**12,164,113**	11,864,978
Investment in a joint venture		**199**	199
Investments in associates		**636,011**	628,002
Total non-current assets		**12,936,068**	12,573,719
CURRENT ASSETS			
Inventories		**4,368**	4,687
Properties held for sale under development and completed properties held for sale		**2,652,231**	3,065,950
Prepaid land lease payments		**1,196**	1,240
Trade and bills receivables	*8*	**31,661**	24,510
Prepayments, deposits and other receivables		**155,571**	203,503
Equity investments at fair value through profit or loss		**837**	871
Tax recoverable		**20**	16,896
Pledged deposits		**77,764**	142,207
Cash and bank balances		**1,124,318**	1,730,080
Total current assets		**4,047,966**	5,189,944
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**350,894**	552,666
Customer deposits		**1,048,083**	1,510,460
Due to an associate		**31,740**	37,490
Obligation under a finance lease		**155**	153
Interest-bearing bank borrowings		**2,969,033**	3,330,804
Tax payable		**208,777**	98,057
Total current liabilities		**4,608,682**	5,529,630
NET CURRENT LIABILITIES		**(560,716)**	(339,686)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,375,352**	12,234,033

Condensed Consolidated Statement of Financial Position *(Continued)*

	At 30 September 2016 (Unaudited)	At 31 March 2016 (Audited)
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Obligation under a finance lease	**160**	238
Interest-bearing bank borrowings	**3,165,792**	3,120,285
Deferred tax liabilities	**1,277,979**	1,246,737
Total non-current liabilities	**4,443,931**	4,367,260
Net assets	**7,931,421**	7,866,773
EQUITY		
Equity attributable to owners of the Company		
Share capital	**405,411**	405,411
Reserves	**4,663,611**	4,660,684
	5,069,022	5,066,095
Non-controlling interests	**2,862,399**	2,800,678
Total equity	**7,931,421**	7,866,773

Notes:

1. Basis of Preparation and Changes in Accounting Policy and Disclosures

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016.

The financial information relating to the year ended 31 March 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2016 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain investment properties and equity investments, which have been measured at fair value. The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016, except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

2. Operating Segment Information

The Group is principally engaged in garment manufacturing and trading, property development and property investment activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

	Six months ended 30 September 2016 (Unaudited)				
	Garment	**Property development**	**Property investment**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:					
Sales to external customers	**39,581**	**1,168,029**	**88,416**	**13,066**	**1,309,092**
Segment results	**(8,316)**	**453,336**	**171,757**	**(3,986)**	**612,791**
Reconciliation:					
Net income from investments					**3,544**
Unallocated expenses					**(7,253)**
Fair value losses on equity investments at fair value through profit or loss					**(34)**
Finance costs					**(68,661)**
Share of profits and losses of associates					**21,420**
Profit before tax					**561,807**

	Six months ended 30 September 2015 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	45,225	485,921	87,822	20,439	639,407
Segment results	(6,105)	166,277	485,328	(6,138)	639,362
Reconciliation:					
Net income from investments					2,453
Unallocated expenses					(7,279)
Fair value losses on equity investments at fair value through profit or loss					(121)
Finance costs					(57,691)
Share of profits and losses of associates					22,373
Profit before tax					599,097

2. Operating Segment Information *(Continued)*

(a) Business segments *(Continued)*

At 30 September 2016 (Unaudited)

	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**173,419**	**2,885,605**	**13,042,768**	**2,054,978**	**18,156,770**
Reconciliation:					
Elimination of intersegment receivables					**(3,011,885)**
Investments in associates					**636,011**
Investment in a joint venture					**199**
Corporate and other unallocated assets					**1,202,939**
Total assets					**16,984,034**
Segment liabilities	**13,232**	**2,400,528**	**990,781**	**1,038,061**	**4,442,602**
Reconciliation:					
Elimination of intersegment payables					**(3,011,885)**
Corporate and other unallocated liabilities					**7,621,896**
Total liabilities					**9,052,613**

At 31 March 2016 (Audited)

	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	71,627	3,281,509	12,928,705	2,024,514	18,306,355
Reconciliation:					
Elimination of intersegment receivables					(3,060,947)
Investments in associates					628,002
Investment in a joint venture					199
Corporate and other unallocated assets					1,890,054
Total assets					17,763,663
Segment liabilities	12,729	3,065,023	954,338	1,129,473	5,161,563
Reconciliation:					
Elimination of intersegment payables					(3,060,947)
Corporate and other unallocated liabilities					7,796,274
Total liabilities					9,896,890

2. Operating Segment Information *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September 2016 (Unaudited)					
	Hong Kong	**Mainland China**	**Europe**	**North America**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:						
Sales to external customers	**61,047**	**1,219,907**	**27,872**	**-**	**266**	**1,309,092**

	Six months ended 30 September 2015 (Unaudited)					
	Hong Kong	Mainland China	Europe	North America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	56,550	543,128	38,686	1,043	-	639,407

3. Other Income and Gains

	Six months ended 30 September 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Bank interest income	**3,516**	2,428
Dividend income from listed investments	**28**	25
Foreign exchange differences, net	**-**	(595)
Others	**2,324**	3,094
	5,868	4,952

4. Finance Costs

	Six months ended 30 September 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Interest on bank loans, overdrafts and other loans	**116,328**	121,429
Less: Interest capitalized under property development projects	**(47,667)**	(63,738)
	68,661	57,691

5. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Depreciation	**3,739**	5,698
Amortisation of prepaid land lease payments	**598**	630
Employee benefit expense (including directors' remuneration)	**41,308**	41,838
Less: Amounts capitalized under property development projects	**(7,500)**	(6,800)
	33,808	35,038
Fair value losses on equity investments at fair value through profit or loss	**34**	121

6. Income Tax

	Six months ended 30 September 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Current – Hong Kong	**-**	30
– Outside Hong Kong	**183,375**	77,159
	183,375	77,189
Deferred	**47,475**	124,170
Total tax charge for the period	**230,850**	201,359

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$138,554,000 (2015: HK$250,243,000) and the number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2016 and 2015 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. Trade and Bills Receivables

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice/contract date and net of impairment, is as follows:

	At 30 September 2016 (Unaudited) *HK$'000*	At 31 March 2016 (Audited) *HK$'000*
Within 30 days	**9,323**	5,082
31 to 60 days	**5,032**	2,153
61 to 90 days	**902**	2,269
Over 90 days	**16,404**	15,006
Total	**31,661**	24,510

The Group's trading terms with its customers in the garment segment are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

9. Trade Payables and Accrued Liabilities

Included in the trade payables and accrued liabilities are trade payables of HK$76,895,000 (as at 31 March 2016: HK$73,932,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2016 (Unaudited) ***HK$'000***	At 31 March 2016 (Audited) *HK$'000*
Within 30 days	**75,290**	71,330
31 to 60 days	**100**	1,979
61 to 90 days	**1,236**	401
Over 90 days	**269**	222
Total	**76,895**	73,932

10. Contingent Liabilities

(a) As at 30 September 2016, the Group has given a guarantee of HK$36,000,000 (as at 31 March 2016 (audited): HK$40,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK$36,000,000 (as at 31 March 2016 (audited): HK$40,000,000).

(b) As at 30 September 2016, the Group has given guarantees of HK$1,536,000,000 (as at 31 March 2016 (audited): HK$1,119,000,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$6,135 million as at 30 September 2016 (as at 31 March 2016: HK$6,451 million), of which approximately 48% (as at 31 March 2016: 52%) of the debts were classified as current liabilities. Included therein were debts of HK$155 million (as at 31 March 2016: HK$163 million) related to bank loans with repayable on demand clause and HK$2,244 million related to project or term loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 9%.

Total cash and bank balances including time deposits were approximately HK$1,202 million as at 30 September 2016 (as at 31 March 2016: HK$1,872 million). Included in cash and bank balances are restricted bank deposits of HK$551 million (as at 31 March 2016: HK$623 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK$1,518 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2016 were approximately HK$5,069 million (as at 31 March 2016: HK$5,066 million). The increase was mainly due to current period's profit attributable to shareholders offset by depreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$4,933 million (as at 31 March 2016: HK$4,579 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$7,931 million (as at 31 March 2016: HK$7,867 million), was 62% as at 30 September 2016 (as at 31 March 2016: 58%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2016, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK$12,394 million as at 30 September 2016 (as at 31 March 2016: HK$12,481 million) and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 610 employees as at 30 September 2016. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONNECTED TRANSACTIONS

(a) On 9 May 2016, True Light Enterprises Limited ("True Light"), an indirect wholly-owned subsidiary of Hon Kwok, entered into a sale and purchase agreement with Rich Fate Limited ("Rich Fate"), pursuant to which True Light conditionally agreed to acquire and Rich Fate conditionally agreed to sell the entire issued share capital of Right Colour Limited ("Right Colour") and the assignment of related shareholder's loan to True Light for an aggregate cash consideration of HK$68,795,000, net of PRC tax which Rich Fate was required to pay in connection with the sale of the entire issued share capital of Right Colour. Right Colour indirectly holds 50% interest in an investment property in Guangzhou, PRC. As Rich Fate was beneficially owned by Dr. James Sai-Wing Wong, Chairman and substantial shareholder of Hon Kwok and the Company, the related transaction constituted a connected transaction of Hon Kwok and the Company under the Listing Rules and the approval of the independent shareholders had been obtained at the respective extraordinary general meetings held on 6 July 2016. The above transaction was completed on 12 July 2016.

(b) On 20 September 2016, the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing jointly announced that a wholly-owned subsidiary of Hon Kwok conditionally agreed to engage and a wholly-owned subsidiary of Chinney Kin Wing conditionally agreed to carry out foundation construction works on the vacant site at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK$210,000,000. Dr. James Sai-Wing Wong is the controlling shareholder of each of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing and thus, the above companies are connected persons to one another under the Listing Rules. The related transactions constituted a connected transaction of each of the above companies under the Listing Rules and the approval of the respective independent shareholders had been obtained at the respective extraordinary general meetings held on 7 November 2016.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2016.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2016, except for the following deviations:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman and Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

2. CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

3. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Dr. Clement Kwok-Hung Young and Mr. Peter Man-Kong Wong, independent non-executive directors of the Company, did not attend the 2016 annual general meeting of the Company held on 25 August 2016 due to their own business engagements or other commitments.

4. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2016 have not been audited, but have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 29 November 2016

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman) and Mr. Herman Man-Hei Fung (Managing Director) as executive directors; Mr. William Chung-Yue Fan, Mr. Paul Hon-To Tong and Mr. James Sing-Wai Wong as non-executive directors; and Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen as independent non-executive directors.